

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## ***Indonesia Raises Knotty Colonial Issues For U.S.***

The renewal of warfare in Indonesia between Dutch and Republican forces on December 19 has disclosed once more the indecisiveness of United States policy toward problems created by colonialism. The policy has never been precisely stated. During World War II the Administration favored independence for colonial peoples, but the American formula for achieving this goal, as defined by Secretary of State Cordell Hull in September 1943, was vague enough not to cause the imperial powers alarm. "There rests upon the independent nations a responsibility in relation to dependent peoples who aspire to liberty," Mr. Hull said. "It should be the duty of nations having political ties with such people, of mandatories, of trustees, or other agencies . . . to help the aspiring peoples to develop materially and educationally, to prepare themselves for the duties and responsibilities of self-government, and to attain liberty."

### ***U.S. Vacillations***

The United States has not publicly abandoned that formula. In practice, however, the Administration since the end of the war has on balance supported the colonial powers—with the possible exception of Britain in the events leading to British abandonment of the Palestine mandate and the creation of the State of Israel last May 15. But the United States, still inspired by the ideal of liberty for dependent peoples which animated Mr. Hull's statement, has given this support in an indecisive manner which has irritated the colonial powers. Dutch newspapers have been complaining for nearly

a year about this country's policy toward Indonesia. More vigorous expressions of Dutch indignation toward the United States were heard soon after Dr. Philip C. Jessup, American representative in the UN Security Council, blamed the Dutch for the fighting on December 22 and said: "My government fails to find any justification for the renewal of military operations in Indonesia." Despite this blunt statement, Administration officials are still debating inconclusively among themselves whether the United States would better serve national security by wholeheartedly encouraging the imperial powers to maintain their influence over their colonies, or by openly encouraging tendencies toward national independence in Indonesia and other areas, such as Indo-China.

This country's conflict with the U.S.S.R. lies at the bottom of the indecision over colonial matters, but it does not entirely explain Washington's vacillation. Spokesmen for the Military Establishment have argued since December 19 that the United States should back the Dutch up to the hilt in order, first, to prevent the creation of a Communist Indonesian Republic (although the present Republican government repressed a Communist uprising in October) and, second, to assure ourselves of a reliable ally that would fight on our side in case of a new major war in Europe. The Administration officially rejected the military argument when, on the same day that Dr. Jessup made his address to the UN, the Economic Cooperation Administration announced it was suspending purchases for the Netherlands Indies pending "clarification" of

the warfare. Since the ECA, however, did not at the same time halt Marshall plan purchasing by the Netherlands, this measure may injure the East Indies and Americans with East Indian investments more than the Dutch.

### ***View of Military***

It must be noted, however, that the views of the military have dominated the approach to the whole colonial question during the past three years. It guides the attitude of the Administration toward the future of Italy's former colonies in Africa. It accounted for the arguments of the large group in the State and Defense Departments which, until May 15, hoped that Britain would retain the Palestine mandate on terms acceptable to the Arab League; for American aloofness from the long conflict between France and the Viet Nam and the Viet Minh in Indo-China; and for official American passivity toward internal upheavals in India, Burma and Ceylon before Britain granted these areas a change of political status. It explains also what Professor Raymond Kennedy of Yale calls a "compromising policy" of the United States toward Indonesia in the *Foreign Policy Report* of December 15. In this report Professor Kennedy said that America "struck directly at the Republic" when ECA last spring granted "\$84,000,000 to the Netherlands East Indies" excepting the Indonesian Republic without putting political restrictions on the use of the fund. The remainder of this grant is the sum the ECA has now frozen.

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### ***Other Causes of Indecision***

Leaving the U.S.S.R. aside, dilution of the wartime attitude toward colonialism as expressed by Mr. Hull became inevitable when the United States Navy persuaded the Administration in 1947 to demand exclusive American control over strategic points on the Pacific Ocean islands formerly administered by Japan under mandate from the League of Nations. This subsequently prevented the United States from urging on other powers with any measure of moral conviction that either imperialist countries should liberate their dependencies, or that dependencies should be placed under international control. The position of the United States as a traditionally anti-colonial nation has been further weakened by the reluctance of the Administration to increase self-government in Guam or American Samoa to any significant ex-

tent, although the United States did grant independence to the Philippines on July 4, 1946. So far as Indonesia and Southeast Asia areas—all rich in strategic raw materials—are concerned, the United States finds itself in an economic dilemma. On the one hand, it is eager to see private capital flow into these areas—and this obviously can only be done if order and stability are restored, presumably with the co-operation of the colonial powers. Last June Henry F. Grady, then United States Ambassador to India, told the Economic Commission for Asia and the Far East that “it is necessary that Asiatic countries maximize the use of foreign private capital”—a statement quoted by W. Walton Butterworth, Director of the State Department Office for Far Eastern Affairs, at the Far East-America Council of Commerce and Industry at the Waldorf-Astoria on

October 6. On the other hand, American exporters complain that the colonial powers, through quota regulations, exercise what amounts to a trade monopoly in their colonial possessions, notably the Netherlands in the Dutch East Indies, thus blocking American exports while at the very time they seek American economic aid in the development of their colonies’ resources.

The United States faces still another dilemma in the colonial world. After having officially affirmed its determination to endow the UN with authority to carry out decisions, it now finds itself confronted by resistance on the part of the Netherlands, which has continued its military action against the Indonesian Republic after the UN Security Council on December 24 had ordered the combatants to cease fire.

BLAIR BOLLES

## ***British And Continentals Clash On Recovery Plans***

After a year of unmistakable progress toward recovery, Britain laid before the Organization for European Economic Cooperation (OEEC) in Paris its four-year plan, published as a White Paper on December 19, for balancing its international accounts by the fiscal year 1952-54. If the plan proves workable, it will achieve the objectives of the European Recovery Program as far as Britain is concerned and end the need for American grants and loans. It has consequently been warmly received by United States ECA officials.

Instead of heartening other European countries, however, Britain’s four-year plan has caused considerable anxiety on the continent, particularly in France. The point at issue is that the British do not plan to buy from their continental partners to the extent that they, in turn, hope to sell in the British market. The White Paper calls for a favorable balance of trade with the continent to the tune of \$48 million annually, whereas before the war the British had an unfavorable balance of \$500 to \$600 million. Thus, as the French point out, if London’s plan is followed, continental economies will be threatened with persisting trade deficits after the termination of American aid and will find sterling almost as scarce a currency as dollars are now.

### ***British Recovery Effort***

Although Sir Stafford Cripps, Chancellor

of the Exchequer, has stressed the provisional nature of his program—it was drafted for integration by the OEEC with other four-year plans—this basic conflict is apt to persist. Other plans submitted, most of them as yet unpublished, are reported to indicate a continued European deficit of \$1 to \$3 billion annually after the end of Marshall aid. The British contend this deficit must be cut down by curtailment of European imports from the Western Hemisphere along the lines of Britain’s austerity pattern. The continentals maintain that further austerity would jeopardize their recovery efforts and that the British must take more goods from other Western European countries and thus provide them with foreign exchange. At present, British planners regard this as an unrealistic hope, pointing out that Britain is now a debtor, not a creditor, as it was in the prewar years.

Despite the progress achieved in 1948, the British road to recovery has not been an easy one and the way ahead is not without obstacles. The export drive is ending the year just about at the goal set by Cripps last summer—with a volume of exports 50 per cent above those of 1938. Coal production is very near the “target” figure of 211 million tons. Almost all of the wartime shipping losses have been made good, and British shipyards are building a substantial number of vessels for foreign purchasers. Steel, pottery, machinery, and textile production

is increasing. British exporters have made notable strides in selling in the American market, thus earning their dollars directly.

But there are signs in the last six months that the recovery effort has reached a plateau, and that further increases in production will not be easily and quickly won. The four-year plan envisages increases in productivity of 2 to 3 per cent annually, and some observers think this too hopeful an estimate. Higher production depends largely on how fast the re-equipment of industries, nationalized as well as those in private hands, bears results. The coal mines, for instance, are in the midst of a \$600 million modernization program and electricity is to get a further \$2 billion in new equipment in the next four years. The iron and steel industry, now the subject of a highly controversial nationalization bill, is being modernized with \$1 billion over six years. The White Paper calls for an annual investment program which will absorb 20 per cent of the national income.

This high rate of investment means the British public will have a limited amount to spend on consumption goods, both those produced at home and those imported. The four-year plan calls for continued austerity, with imports kept at the level of 80 per cent of the 1938 figure. Canada, as well as Western Europe, has been disturbed by this trend, because

the British have been cutting their imports of Canadian bacon and eggs and resisting current wheat prices.

However, British planners contend that they are hoping to increase greatly the amount of sterling available to other nations by raising their overseas spending in keeping with increased earnings. At present Britain is earning about \$6.6 billion throughout the world. It expects to increase this by more than a quarter by 1952-53 to reach a figure of approximately \$8.36 billion. A sizeable portion of this increase is to come from sale of Middle Eastern oil.

### **Stress on Austerity**

The stress on austerity is possible in Britain for a number of reasons. Ever since 1945 the public has been told and retold that the "battle of the gap"—between the cost of imports and the earnings of exports—is a crucial one which determines how well Britain will eat. Even with increased agricultural production during and after the war, the aim of the four-year plan is to produce only 50 per cent of the nation's food domestically. If ex-

ports cannot pay for the additional 50 per cent of the necessary food—and pay also for the raw materials which go into the exports—the failure will mean simply and starkly that the British isles cannot support their present population of 50 million. If the British are more realistic today than the French, it is not because of superior virtue but because of more driving necessity. Moreover, British planners have had their failures, and have learned some of their harsh lessons from the fuel and dollar crises of 1947.

Realism and austerity are not as synonymous in France as they are in Britain. France, better able to provide such basic necessities as food from its own metropolitan territory, is more harassed than Britain by internal political discord. A program of austerity would certainly increase the leverage the Communists could use. Moreover, austerity only contributes to financial stability when it is applied through an effective rationing system. With the French black market a number of shades blacker than the British, reduced imports can only threaten to accent inflationary distortions.

Integrating diverse plans for recovery is a major task for the OEEC, but not an impossible one. Preliminary discrepancies in national plans were bound to arise, and the test will come only after efforts are made to dovetail various programs together. One factor which has led the British to plan for less imports from France, for instance, is the present situation where French luxury goods such as wines and perfumes are more available than products the British regard as necessities. The French contend that this particular point has been overstressed and that they are planning to expand their exports of agricultural products by a further 30 per cent. If this goal is achieved, Britain may well be able to accommodate itself to increased imports of essentials from the continent.

WILLIAM W. WADE

(William W. Wade, editor of *FPA Headline Series*, worked for International News Service during the war in Iceland, Britain and France, and in 1948 completed work for an M.Sc. at the London School of Economics and Political Science.)

## **FPA Bookshelf**

*The Indonesian Story, the Birth, Growth, and Structure of the Indonesian Republic*, by Charles Wolf, Jr. New York, John Day and the American Institute of Pacific Relations, 1948. \$3.00

The general reader will find in this book a competent analysis of the background of the present situation in Indonesia by an American who gathered his material first hand while vice-consul in Batavia during 1946-47. The study, on the whole balanced and objective, gives a more sympathetic interpretation of the Republican position than of the Dutch.

*Donald of China*, by Earl Albert Selle. New York, Harper, 1948. \$3.50

A highly interesting biography of the Australian who served as private adviser to the Chiangs and other Chinese dignitaries. While perhaps overlaudatory of its subject who, on his death bed, told his life story to the author, this book gives many interesting and hitherto unknown glimpses of Chinese events and personalities.

*China: The Land and The People*, by Gerald F. Winfield. New York, William Sloane Associates and American Institute of Pacific Relations, 1948. \$5.00

On the basis of knowledge gained during thirteen years in China as a research biologist, Dr. Winfield gives a penetrating analysis of the agrarian, health, political and other factors which underlie any solution of that country's great problems. He then suggests reform programs, and evaluates the strengths and weaknesses of the policies being followed by the Kuomintang and the Communists.

*Mandates, Dependencies and Trusteeship*, by H. Duncan Hall. Studies in the Administration of International Law and Organization, No. 9.

Washington, Carnegie Endowment for International Peace, 1948. \$5.00

Mr. Duncan Hall, who for many years served in the League of Nations Secretariat, weighs the disposition of the former Italian colonies as well as of other dependent areas in the light of the history of the League mandate system and the UN trusteeship system, and of the international rivalries which have given these areas high political interest.

*The War Lords of Washington*, by Bruce Catton. New York, Harcourt, Brace, 1948. \$3.00

In somewhat bombastic terms a journalist who served in the Information Division of the Office for Emergency Management accuses the industrial oligarchy of having prevented the war effort from becoming a crusade for true "democracy" through fear of losing its special privileges. While the book suffers from overstatement, it does provide many revealing sidelights on wartime Washington.

*The Monetary Problem of France*, by Pierre Dieterlen in collaboration with Charles Rist. New York, Carnegie Endowment for International Peace and King's Crown Press, 1948. \$2.50

A compact technical analysis of the inflationary situation in France with recommendations for the future, contending that short of complete conversion to a state planned economy, restoration of market institutions along the lines advocated by classical theory, although subject to some controls, is necessary for France's recovery.

*You Can't Turn the Clock Back*, by R. W. G. Mackay. New York, Ziff-Davis, 1948. \$3.50

Mr. Mackay, who is a Labor Member of Parliament, a solicitor and an economist, considers the UN as organized at present inadequate to

keep the peace, and rejects the hope of immediate world federation as utopian. He argues for the establishment of regional governments, beginning with Western Europe, as an intermediate stage on the way to world organization, and pleads for economic changes utilizing the best features of the British, American and Soviet systems.

*Introduction to Economic Science*, by George Soule. New York, Viking, 1948. \$2.50

Relying upon the nation's economic budget and statistical evidence rather than on theoretical assumptions, Mr. Soule, well-known writer and economist, presents a modern, "scientific" basis for economic analysis. This book does yeoman service in demonstrating the weaknesses of traditional economic thinking of both the classical and "Marxist" varieties, and provides a sound basis for making judgments about national policy on domestic as well as international questions.

*Economics of International Trade*, by Hugh B. and Lucy W. Killough. Second edition. New York, McGraw-Hill, 1948. \$5.00

Students of world economic conditions will welcome this extensively revised edition of *International Trade*, first published in 1938. The authors, professors of economics at Brown University and Wellesley College respectively, have expanded their treatment of theory and policy, including such problems as balances of payments, international prices, the effects of cyclical fluctuations and trade restrictions, and a final section on post-war developments and the work of the new specialized trade and monetary agencies.

*The Preliminary Draft of a World Constitution*, as proposed and signed by Robert M. Hutchins, G. A. Borgese, Mortimer J. Adler, Stringfellow Barr, and others. Chicago, University of Chicago Press, 1948. \$2.00

The Committee to Frame a World Constitution,



following numerous conferences from 1945 to 1947, has issued a constitutional draft together with a report of various problems involved in creating a world government, and a list of 150 documents prepared in connection with the extended study. This volume should help bring the discussion of this topic out of the thin air of speculation down to the solid ground of specific problems.

*Fallen Sun, A Report on Japan*, by Noel F. Busch. New York, Appleton-Century, 1948. \$2.50

Mr. Busch, wide-ranging senior writer for *Life*, here presents in glowing terms his impressions of Japan under the occupation, with abundant praise for General MacArthur and warnings against the Communists.

*Mirror for Americans: Japan*, by Helen Mears. Boston, Houghton Mifflin, 1948. \$3.00

The widely traveled author of *Year of the Wild Boar* gathered most of the material for this book while in Japan in 1946 on a Houghton Mifflin Literary Fellowship. She presents a review of the total American impact upon Japan and concludes that the policies of this country, both past and present, are as responsible as the peculiar traits of the Japanese for the problems we face in East Asia today.

*Crusade in Europe*, by Dwight D. Eisenhower. New York, Doubleday, 1948. \$5.00

An epic story told factually, simply and without histrionics, all the more fascinating because of its straightforwardness. General Eisenhower unwittingly reveals himself as a man with unique gifts of patience, balance, and, above all, understanding coupled with firmness. His fairness and capacity for working with more flamboyant, colorful, and forceful figures emerges in his assessment of such diverse leaders as Churchill, Patton, Montgomery, and Zhukov.

*Public Debt, 1914-1946*, (1948.XVI.1). Lake Success, United Nations, Department of Economic Affairs, 1948. \$2.50

Carrying on the significant economic studies of the League of Nations, the UN is issuing a number of studies and compilations of particular interest to students of international affairs. The present volume gives a series of tables covering 52 countries, for the period 1914-46, indicating in each case the total public debt, and break downs showing domestic long- and short-term obligations, foreign debts, interest and redemption payments, together with information on price movements and exchange rates, and data on the most important loans.

*Documentary Background of World War II, 1931 to 1941*, edited by James W. Gantenbein. New York, Columbia University Press, 1948. \$10.00

A collection of almost 450 documents, including speeches, treaties, and diplomatic exchanges, for the decade before America's entry into World War II. Of more than 1,000 pages, the largest section, about a quarter of the volume, is devoted to United States material. The editor has striven not for completeness—impossible in a volume of this size covering ten years—but for a collection of representative documents useful in tracing the main lines of the foreign policies of the major powers.

## News in the Making

While rumors of "peace negotiations" multiplied in Nanking the *Chinese Communists*, in a radio broadcast of December 25, included in a list of "war-criminals" not only President Chiang Kai-shek and other leading government personalities but also Vice-President Li Tsung-jen and former Premier Chang Chun, both of whom have previously been mentioned as possible peace negotiators. . . . On December 21 Paul G. Hoffman, ECA administrator, following his return from a brief trip to China and an interview with President Truman, announced suspension for the time being of the ECA reconstruction program in that country for which \$70 million had been earmarked. . . . Renewal of *fighting in the Negeb* over the Christmas week end points up the unfortunate results of the UN's decision to postpone action on recognition of Israel and determination of its frontiers. As had been anticipated, this postponement tends to encourage extremists among both Jews and Arabs. . . . In spite of vigorous opposition on the part of King Farouk of Egypt and King Ibn Saud of Saudi Arabia to *King Abdullah's plans* for merger of Arab Palestine with Trans-Jordan, Abdullah is now expected to proceed with fulfillment of these plans in the next few weeks. . . . From Rome it is reported that Count Carlo Sforza, Italian Foreign Minister, following a conference at Cannes with French Foreign Minister Robert Schuman on December 21, will try to open *direct negotiations with Ethiopia* for a bilateral agreement on disposition of the former Italian colony of Eritrea before the future of Italian colonies is discussed at the UN General Assembly in April. . . . *The situation in Poland* bears watching. Without courting the risks of an open split with Russia on doctrinal aspects of communism, as Tito has done in Yugoslavia, Polish Communist leaders are proceeding to adapt Communist theories to the economic and social conditions of Poland which, in many respects, were in advance of those existing in Russia at the time of the Bolshevik

## Branch & Affiliate Meetings

BETHLEHEM, January 5, *International Control of Atomic Energy*, Philip Morrison

DETROIT, January 7, *What Should be United States Policy Toward China?* Dr. Russell Fifeld, Dr. George W. Shepherd, Mrs. Thomas F. Mayer-Oakes

PHILADELPHIA, January 7, *Are there Cracks in the Iron Curtain?* Ivan (Cy) Peterman, Stoyan Pribichevich, Karl W. H. Scholz

MILWAUKEE, January 11, *The Middle East*, John S. Badeau

HARTFORD, January 13, *What to do About China*, Nathaniel Pepper

## Indonesia Report—Just Out

What are the motives for Dutch military action in Indonesia? How had the Republic of Indonesia developed since V-J Day? Is there a Communist threat in the Republic? For authoritative information, READ

### INDONESIA IN CRISIS

by Raymond Kennedy, Professor of Sociology, and Paul M. Kattenburg, Instructor and Research Assistant in the Southeast Asia Studies program, Yale University

*Foreign Policy Reports*—25 cents  
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revolution of 1917. Western observers who have recently visited Poland agree that living standards are rising in spite of the material devastation and population decimation suffered by the Poles as a result of German conquest; that Hilary Minc, an able technician who is Minister of Reconstruction, is doing an impressive job; and that the Poles, including many Communists, remain anti-Russian, although they have no intention of defying the U.S.S.R.

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